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• PENNSYLVANIA'S ENERGY PROFILE •

Coal

Historically, coal has accounted for the bulk of Pennsylvania's energy production, which by 1988 totaled 77.4 million tons, eight percent of the national output. Despite increases in national coal consumption in recent years, Pennsylvania's coal industry has experienced a decline in the production of bituminous and anthracite coals since 1980. The 4.5 million ton increase between 1987 and 1988 was the first increase in four years.

Pennsylvania has long been a production leader among the bituminous coal producing states in the country. Although fluctuating greatly over the years, the state remains the fourth largest bituminous coal producer in the nation behind Kentucky, West Virginia, and Wyoming. Bituminous coal production was 66 million tons in 1988, down 17 percent from its peak of 89 million tons in 1979.

Pennsylvania is the only state with major anthracite reserves. Production of anthracite declined dramatically over the past 50 years as industry and residential users turned to cleaner, more convenient oil and natural gas. Output hit an all time low of three million tons in 1983. Since then, production has fluctuated, rising to 5.2 million tons in 1985, then dropping to 3.5 million tons in 1988. There is no danger that the billions of tons that are available will be soon exhausted.

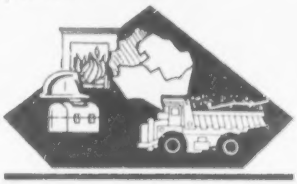
Throughout most of the 1960s and 1970s, U.S. exports of coal increased. After 1981 coal exports from the U.S., including Pennsylvania, declined despite a partial recovery from 1983 through 1986. Total export shipments of coal from Pennsylvania had been above 10 million tons annually throughout the early 1980s. By 1988, foreign exports rose to 12.7 million tons, 27 percent below exports reported for 1980. The most dramatic decrease over the eight year period was in coal shipped to overseas markets.

Total domestic exports of Pennsylvania coal have also declined, but not as significantly as foreign exports. In 1987, domestic export shipments totaled 25.8 million tons, 13.2 percent below the 1980 level.

The electric utility industry is the mainstay of the bituminous coal industry. In Pennsylvania, utility consumption of bituminous coal grew from 15 million tons in 1960, a 32 percent share, to an all-time high of 42 million tons in 1987, a 79 percent share. By 1988, utility consumption dropped to 41 million tons. Consumption by all other economic sectors has declined. Total bituminous consumption was 54.4 million tons in 1987.

The electric utility sector consumed more anthracite than the residential/commercial sector for the first time in five years, accounting for a 38.7 percent share in 1988. Consumption grew78 percent from 1987. Total Pennsylvania anthracite consumption for 1988 was 2.1 million tons, down 27 percent from 1980.

Average prices of coal to end-users, excluding residential and commercial customers, fell slightly in 1987, ranging from $35 - $43 per ton.



Natural Gas

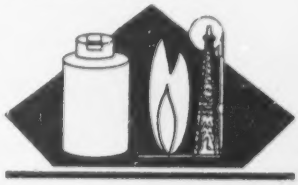
Natural gas is the second most important source of energy in Pennsylvania, accounting for nine percent of the state's total energy output. In 1987, natural gas was the only energy form for which production increased. An estimated 28,000 active wells produced 163 billion cubic feet. Natural gas production swelled throughout the 1960s and 1970s and did not begin to decline until 1985, after it peaked at 166 billion cubic feet. Based on drilling and production records, proven recoverable natural gas reserves in the state exceed two trillion cubic feet. The fields and pools that produce Pennsylvania's natural gas occur almost exclusively in the western half of the state.

Because Pennsylvania has traditionally consumed more natural gas than it has been able to produce, the natural gas industry stores gas in large quantities in the summer months to ensure an adequate supply during the winter. Recoverable gas in storage totaled 586 billion cubic feet in 1987.

Natural gas consumption at the national and state level expanded in the 1960s as low prices encouraged demand. But in 1973, regional supply shortages and rising energy prices began to erode demand. By the 1980s, the national decline in demand resulted in a short-term surplus of deliverable gas and production curtailments in many producing areas. Decreased demand spanned all end-use sectors, but was most severe in the industrial sector.

Pennsylvania followed the national trend, during the 1980s and, in the industrial sector, the option of fuel switching proved to be most viable. Consumption of natural gas fell from a peak of 829 billion cubic feet in 1972 to 612 billion cubic feet in 1988. During that 16-year period, there were occasional modest year-to-year increases. Decreased consumption in the industrial sector accounted for over half of the 212 billion cubic feet reduction and lower use by the residential sector accounted for about one-fifth of the decrease.

The average price of natural gas for all end-users decreased in 1988 from the previous year. The price to industrial consumers fell less than one percent to $3.63 per thousand cubic feet and the price to electric utilities fell six percent to $3.41 per thousand cubic feet. On the other hand, in the residential sector, where distribution costs are higher and rate setting may lag market adjustments, prices fell only three percent to $5.83 per thousand cubic feet. The average natural gas price for commercial users dropped 5.4 percent to $5.12 per thousand cubic feet.



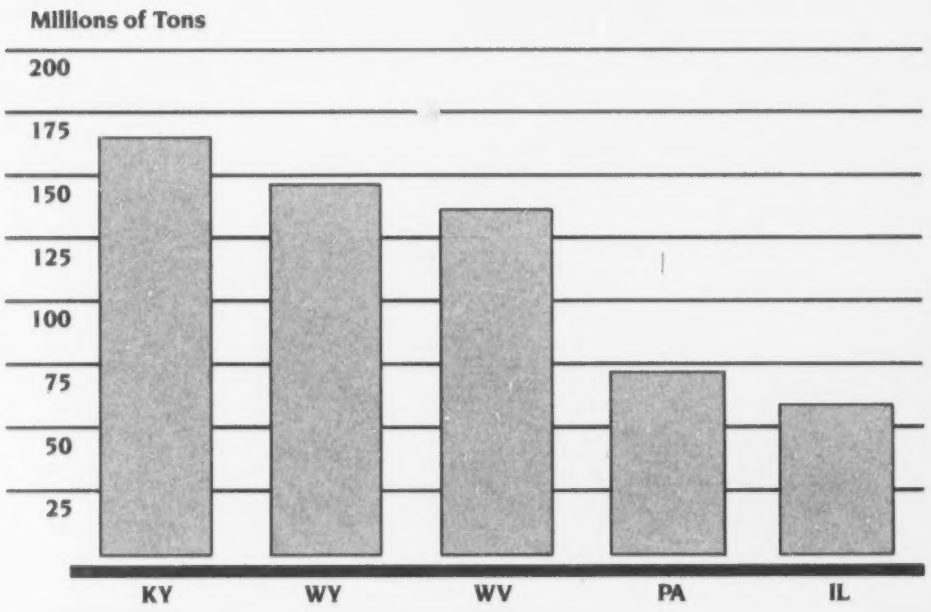
COAL

In 1988, output of coal in Pennsylvania was nearly 74 million tons of bituminous coal and 3.5 million tons of anthracite. The 7.4 percent increase over the 1987 level was largely the result of a 7.1 million ton increase for bituminous. Total coal production was down 16.8 percent from 1980 when production was 93.1 million tons.

The state exports over half of the coal it produces. Export shipments of coal to foreign and domestic markets totaled nearly 41 million tons in 1988, 39.7 million tons of bituminous coal and 1.5 million tons of anthracite coal. The most significant decline in the industry has been with anthracite.

Pennsylvania consumed almost 56 million tons of coal in 1988, 54 million tons of bituminous coal and two million tons of anthracite. Total usage was less than one percent over the 1987 level.

Coal Production for Selected States 1987



Average Price of Coal in Pennsylvania by End-Use Sector
(Dollars per Ton)

	Average 1986	Jan-Mar 1987	Apr-Jun 1987	Jul-Sep 1987	Oct-Dec 1987	Average 1987	Jan-Mar 1988	Apr-Jun 1988	Jul-Sep 1988
Electric Utilities	36.63	35.41	35.38	35.33	35.71	35.46	35.97	35.77	35.20
Coke Plants	47.00	44.25	42.85	42.25	42.34	42.92	42.48	43.22	43.24
Other Industrial	38.09	38.24	36.13	35.75	36.57	36.67	37.39	35.25	35.72

Source: US DOE, *Quarterly Coal Report*

Electricity

Pennsylvania's predominantly coal-based electric utility sector has been the nation's largest producer of electricity since 1980. During 1987, Pennsylvania accounted for 5.7 percent of the nation's record level net generation of 2,700,924 million kilowatt-hours. Electricity generation in the state rose in 1988 to 152,932 million killowatt-hours, 5.2 percent the level for the previous year. This was due to an 8.2 percent increase in nuclear-based generation and a five percent increase in coal-fired generation.

Coal still accounts for the largest share of net generation among all fuels — 69.4 percent. Net generation from coal in 1988 was 106,174 million kilowatt-hours, breaking the record level set in 1987.

Oil-fired generation, which had increased 11 percent in 1986 as oil prices fell, decreased 7.3 percent to 7,901 million kilowatt-hours, as oil prices recovered somewhat. Electricity produced from natural gas was 290 million kilowatt-hours in 1988, increasing almost 77 percent from 1987.

Nuclear-based generation, the second largest contributor to the net generation of electricity since 1974, accounted for 25 percent in 1988. Generation from nuclear power was 34,982 million kilowatt-hours, down 4.9 percent from its record peak of 39,820 million kilowatt-hours set in 1986. Low levels of hydroelectric generation in 1988 were due to lack of precipitation at almost all major hydroelectric watersheds nationwide. Net generation from hydroelectric units was 705 million kilowatt-hours, a 38 percent decrease from 1987.

Coal Production For Selected States

(Thousands of Tons)

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Pennsylvania	93,052	83,208	78,748	71,656	77,700	70,764	73,201	72,090	77,416
Anthracite	5,983	5,125	3,993	2,923	3,894	5,229	3,748	5,226	3,475
Bituminous	87,069	78,083	74,755	68,733	73,806	65,535	69,453	66,864	73,941
Kentucky	150,144	157,559	150,215	131,217	159,541	157,272	153,933	165,192	162,059
Wyoming	94,887	102,969	108,361	112,214	130,914	140,714	136,826	146,850	161,815
West Virginia	121,584	112,814	128,540	115,049	131,008	127,764	129,907	136,676	143,721
Illinois	62,543	51,865	60,275	56,846	63,769	59,201	61,866	59,155	59,622
U.S. Total	**829,700**	**823,775**	**838,112**	**782,091**	**895,921**	**883,638**	**890,315**	**918,762**	**958,912**

Source: US DOE, *Coal Production, Quarterly Coal Report and Weekly Coal Production*
PA DER, *Annual Report on Coal Mining*

Pennsylvania Anthracite Coal Exports

(Thousands of Tons)

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Domestic	1,084	1,088	996	936	1,049	1,126	771	695	687
Overseas	1,700	1,399	516	648	487	892	850	669	485
Canada	324	305	287	281	324	301	443	402	346
Foreign Total	2,024	1,704	803	929	811	1,193	1,293	1,071	831
Grand Total	**3,108**	**2,792**	**1,799**	**1,865**	**1,860**	**2,319**	**2,064**	**1,766**	**1,518**

Source: US DOE, *Coal Distribution*

Pennsylvania Bituminous Coal Exports

(Thousands of Tons)

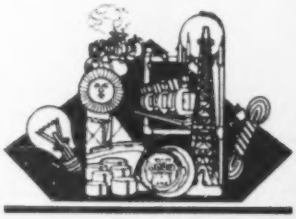
	1980	1981	1982	1983	1984	1985	1986	1987	1988
Domestic	31,705	30,493	28,838	27,504	30,896	27,765	27,908	29,425	27,809
Overseas	11,904	13,289	10,254	5,832	5,165	6,755	6,727	4,632	5,882
Canada	3,439	4,373	4,883	3,425	4,340	3,770	4,055	4,140	6,024
Foreign Total	15,343	17,662	15,137	9,257	9,505	10,525	10,782	8,772	11,906
Grand Total	**47,048**	**48,155**	**43,975**	**36,761**	**40,401**	**38,290**	**38,690**	**38,197**	**39,715**

Source: US DOE, *Coal Distribution*

The effects of a hot summer stimulated the sales of electricity for the residential, commercial and industrial sectors in Pennsylvania. Total sales reached a new peak in 1988 at 112,923 million kilowatt-hours, surpassing the previous year by 5.3 percent. This was nearly the same average increase for all major consuming sectors. Since 1960, sales of electricity have increased at an average annual rate of nearly 4 percent.

The industrial sector, which has exceeded electricity sales for all other sectors, accounted for 46,254 million kilowatt-hours of total electricity sales in 1988, down 3.5 percent from a record high of 47,911 million kilowatt-hours in 1979. The residential and commercial sectors followed with sales of 37,916 million kilowatt-hours and 27,312 million kilowatt-hours, respectively.

The average price of electricity for all sectors declined in 1987. The residential sector experienced its first decline in 17 years to a statewide average of $.0845 per kilowatt-hour, a decrease of two percent over 1986. Electricity sold to commercial users was also down two percent, selling to customers at $.0737 per kilowatt-hour. The largest decrease in electricity prices was felt by industrial users — 5.2 percent — with a rate of $.0555 per kilowatt-hour.



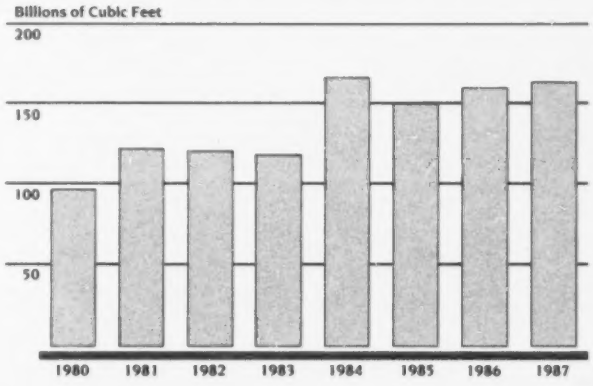
NATURAL GAS

Pennsylvania natural gas production increased in 1987 by slightly over two percent to 163.3 billion cubic feet from the 1986 total of 159.9 billion cubic feet. Production continued an upward trend by returning to its highest level since 1984, when it peaked at 166.3 billion cubic feet.

Consumption of natural gas in the state totaled 617 billion cubic feet in 1988, up 5.7 percent over 1987. The residential sector was the leading consumer, using 267 billion cubic feet, followed by the industrial sector with 219 billion cubic feet. Total gas consumption peaked in 1972 at 829 billion cubic feet.

Natural gas prices for all consuming sectors were down for the third consecutive year.

Pennsylvania Natural Gas Production



Natural Gas Prices in Pennsylvania
(Dollars per Thousand Cubic Feet)

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Residential	3.80	4.51	5.42	6.44	6.56	6.72	6.39	6.03	5.83
Commercial	3.57	4.22	5.04	6.07	6.20	6.20	5.82	5.42	5.12
Industrial	3.06	3.70	4.50	5.07	5.09	4.93	4.36	3.65	3.63
Elec. Util.	3.67	4.08	4.13	5.10	4.86	5.13	4.24	3.62	3.41

Source: US DOE, *Natural Gas Annual and Monthly*

Natural Gas Consumption in Pennsylvania by End-Use Sector
(Billions of Cubic Feet)

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Residential	288	286	272	252	265	245	255	251	267
Commercial	118	129	126	115	126	115	114	114	128
Industrial	337	333	264	246	248	231	207	217	219
Elec. Util.	3	3	2	2	3	2	1	2	3
Total	**746**	**751**	**664**	**615**	**642**	**593**	**577**	**584**	**617**

Source: US DOE, *Natural Gas Annual and Monthly*

Oil

After successive price hikes had brought the price of crude oil to a peak in 1981, oil prices began moving downward in 1982, and then plummeted in 1986. The average annual composite refiner acquisition cost of crude oil fell from $26.75 per barrel in 1985 to $14.55 per barrel in 1986. In 1987, oil prices recovered somewhat but then declined to an average of $14.71 per barrel for 1988.

Of the several factors contributing to the unprecedented decline in crude oil prices during the first half of 1986, the most important was excess worldwide production — primarily by members of the Organization of Petroleum Exporting Countries (OPEC) seeking to regain market share. OPEC's expanded use of netback pricing agreements caused uncertainty in world oil markets, prolonging the slump. In 1987, oil prices were higher and more stable, due in part to OPEC's closer adherence to its self-imposed production quotas during the first several months of the year. Oil prices bottomed out in November 1988 at about $12.58 per barrel. The U.S. Department of Energy in its 'Short Term Energy Outlook' estimates that the average price should stabilize at $15.00 per barrel by 1990. Petroleum prices today are half the level of the early 1980s.

In Pennsylvania, the first purchase price of crude oil fell from $25 per barrel in 1985 to almost $16 per barrel in 1986. The average price increased in 1987 then dropped to an average of $15.26 for 1988. The swings in crude oil prices have been reflected in changes in the retail prices of petroleum products.

ELECTRICITY

Electric utilities in Pennsylvania generated a new record peak of 152,932 million kilowatt-hours of electricity in 1988, an increase of more than five billion kilowatt-hours from the record level set in 1986. Since 1980, total generation has been increasing at a compound annual rate of 2.8 percent. Coal, the largest contributor to total net generation, accounted for 69.4 percent of the total in 1987. Nuclear power, the second most important fuel, accounted for 25 percent. Petroleum's share, which has been gradually decreasing, contributed 5.2 percent.

Pennsylvania's electric utilities sold 112,923 million kilowatt-hours of electricity to their customers in 1988, setting a new record peak for the state. Sales were up 5.3 percent over 198. The industrial sector, which is the major sales contributor, accounted for 41 percent, followed by the residential and commercial sectors with 33.6 percent and 24.2 percent respectively.

The retail price of electricity to residential and commercial customers declined by two percent in 1987, averaging $.0861 and $.0753 cents per kilowatt-hour respectively. Industrial users paid an average of $.0555 cents per kilowatt-hour, a decrease of 5.2 percent.

Electricity Sales in Pennsylvania by End-Use Sector
(Millions of Kilowatt-Hours)

	Residential	Commercial	Industrial	Other(1)	Total
1980	31,831	21,179	45,942	824	99,776
1981	31,714	20,880	46,596	1,673	100,863
1982	31,467	21,194	40,280	1,641	94,582
1983	32,334	21,690	41,047	1,599	96,670
1984	33,172	22,825	44,110	1,662	101,769
1985	32,799	23,484	42,588	1,686	100,557
1986	34,278	24,751	42,024	1,474	102,527
1987	35,846	25,971	43,966	1,430	107,213
1988	37,916	27,312	46,254	1,441	112,923

(1) Other sales includes public street and highway lighting, other sales to public authorities, sales to railroads and railways, and inter-departmental sales.

Source: US DOE, *Electric Power Annual and Monthly*

Electricity Generation in Pennsylvania by Fuel
(Millions of Kilowatt-Hours)

	Coal	Petroleum	Natural Gas	Hydro	Nuclear	Total
1980	98,756	10,727	200	734	12,093	122,510
1981	91,946	9,488	224	659	14,276	116,593
1982	94,018	6,539	117	1,828	16,472	118,974
1983	96,380	11,204	133	1,169	14,718	123,604
1984	98,132	9,544	219	1,446	21,564	130,905
1985	99,993	7,682	140	971	26,232	135,018
1986	97,730	8,522	61	1,452	39,820	147,585
1987	101,403	7,683	164	1,131	34,982	145,363
1988	106,174	7,901	290	705	37,862	152,932

Source: US DOE, *Electric Power Annual and Monthly*

Electricity Prices in Pennsylvania
(Cents per Kwh)

	1980	1981	1982	1983	1984	1985	1986	1987
Residential	5.96	6.66	7.66	7.78	7.99	8.29	8.61	8.45
Commercial	5.73	6.47	7.35	7.39	7.22	7.49	7.53	7.37
Industrial	4.41	4.94	5.83	5.56	5.34	5.63	5.55	5.26

Source: US DOE, *State Energy Price and Expenditure Data System*
Pennsylvania Electric Utility Reports, FERC Form 1

Pennsylvania oil production has been steadily declining. Between 1960 and 1980, production fell from 5.9 million barrels to 2.9 million barrels, a decrease of slightly over 50 percent. After an upward trend for five years, the drilling industry declined significantly, both state and nationwide, as a result of the precipitous drop in oil prices. In 1987, Pennsylvania oil production totaled 3.3 million barrels, a 32 percent decrease from the 1985 level. Pennsylvania ranked 27th in production, accounting for less than .1 percent of the total U.S. crude oil production.

For the production and exploration sectors of the U.S. petroleum industry, 1987 was a year of slow recovery. In addition to the plunge in crude oil prices during 1986, other factors which affected production included the decline in drilling activity since 1985 and the fact that a large number of stripper wells that ceased operation in 1986 remained closed.

U.S. oil production dropped for the third year in a row in 1988, matching the lowest level in 24 years. In December — for the first time in nine years — the U.S. imported more oil than it produced. The prospect is for a continuing decline in production unless oil prices rise substantially to give producers a stronger incentive to search for new oil.

The U.S refining industry felt some benefits from the market conditions in 1986. Total U.S. refinery output reached nearly 16 million barrels per day in 1987. Pennsylvania, which remains a major petroleum refiner, ranks fourth in the nation in capacity. In 1987, the eight operable refineries in the state had a total refining capacity of 727,000 barrels per day.

The total U.S. refinery utilization rate was 83 percent in 1987, much improved from the 78 percent rate in 1985, and well above the nadir of 69 percent in 1981. A recently released American

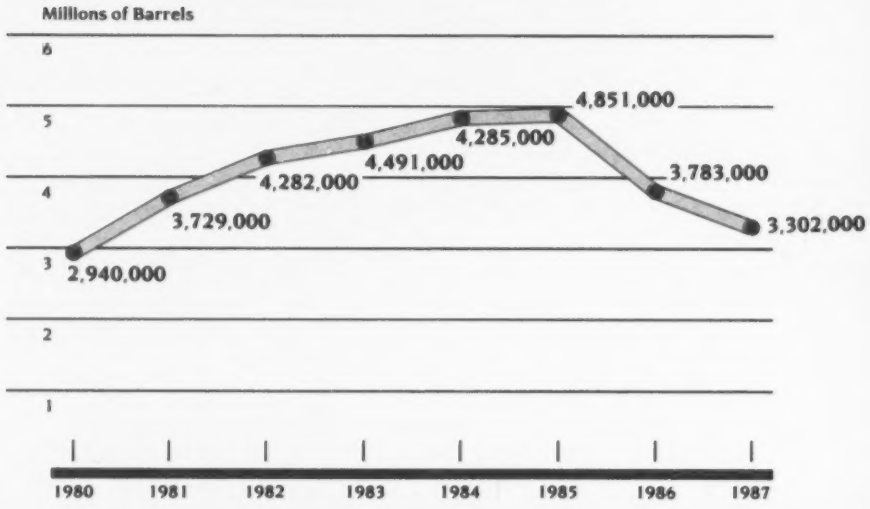
OIL

Pennsylvania's crude oil production has been steadily declining. In 1987, the state produced 3.3 million barrels of Penn Grade crude oil, a 13 percent decrease from the 1986 production level of 3.8 million barrels. The amount of oil had not been this low since 1980.

Pennsylvania's eight refineries had a total refining capacity of 727,000 barrels per day in 1987, an increase of 10,000 barrels per day over the previous year.

In 1987, Pennsylvania was ranked seventh in the nation in the consumption of petroleum. Total petroleum consumption increased 3.6 percent between 1986 and 1987, going from 225.6 million barrels to 233.8 million barrels. The transportation sector is the largest consuming category, accounting for 144 million barrels or approximately 62 percent of Pennsylvania's consumption.

Pennsylvania Crude Oil Production



Crude Oil Price Summary

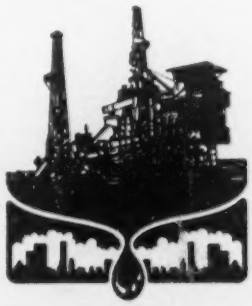
(Dollars per Barrel)

	First Purchase Price		Refiner Acquistion Cost		
	PA	U.S.	Domestic	Imported	Composite
1977	14.53	8.57	9.55	14.53	11.96
1978	14.72	9.00	10.61	14.57	12.46
1979	24.13	12.64	14.27	21.67	17.72
1980	37.46	21.59	24.23	33.89	28.07
1981	36.03	31.77	34.33	37.05	35.24
1982	30.77	28.52	31.22	33.55	31.87
1983	28.28	26.19	28.87	29.30	28.99
1984	27.71	25.88	28.53	28.88	28.63
1985	25.05	24.09	26.66	26.99	26.75
1986	15.77	12.51	14.82	14.00	14.55
1987	17.43	15.40	17.76	18.13	17.90
1988	15.26	12.57	14.76	14.64	14.71

Source: US DOE, Monthly Energy Review, Petroleum Marketing Annual and Monthly

Petroleum Institute report indicates that in 1988, U.S. refineries operated at 84.3 percent capacity, the highest utilization rate in a decade.

In Pennsylvania, petroleum is the fuel that provides the second largest share of the state's energy use. Consumption of petroleum products increased throughout the 1960s and early 1970s at an average annual rate of 3.0 percent. In 1974, marked increases in the price of crude oil coupled with a petroleum supply interruption resulted in a consumption decline of 3.8 percent at the national level and 8.6 percent at the state level. Although demand recovered during the late 1970s, peaking at nearly 307 million barrels in 1978, by 1982 it had declined to 216 million barrels. At the same time oil production had been dropping, oil consumption has been steadily rising in recent years, prompted by a decline in prices. The state's level of oil consumption reached almost 234 million barrels in 1987. At the national level, increases in oil consumption are expected through 1989.



Foreign Dependence on Imported Oil

Net U.S. imports peaked in 1977 at 8.6 million barrels per day. By 1985 they declined to 4.3 million barrels per day, a decrease of 50 percent. In 1986, excess world production drove prices down, inhibiting domestic production and boosting demand. Those factors, as well as stockbuilding,

U.S. Dependence on Petroleum Net Imports

	Net Imports (1)			Petroleum Products Supplied	Net imports as Percent of U.S. Petroleum Products Supplied		
	OPEC	Non-OPEC	Total		From OPEC	From Non-OPEC	From All Countries
	Thousand Barrels per Day				Percent		
1975	3,599	2,247	5,846	16,322	22.0	13.8	35.8
1976	5,063	2,027	7,090	17,461	29.0	11.6	40.6
1977	6,190	2,375	8,565	18,431	33.6	12.9	46.5
1978	5,747	2,255	8,002	18,847	30.5	12.0	42.5
1979	5,633	2,352	7,985	18,513	30.4	12.7	43.1
1980	4,293	2,072	6,365	17,056	25.2	12.1	37.3
1981	3,315	2,086	5,401	16,058	20.6	13.0	33.6
1982	2,136	2,162	4,298	16,296	14.0	13.3	28.1
1983	1,843	2,469	4,312	15,231	12.1	16.2	28.3
1984	2,037	2,678	4,715	15,726	13.0	17.0	30.0
1985	1,821	2,465	4,286	15,726	11.6	15.7	27.3
1986	2,828	2,611	5,439	16,281	17.4	16.0	33.4
1987	3,053	2,861	5,914	16,665	18.3	17.2	35.5
1988	3,421	2,932	6,353	17,170	19.9	17.1	37.0

(1) Imports minus exports

Source: U.S. DOE, *Monthly Energy Review*

U.S. Refinery Capacity by PAD (1) District 1987

(Barrels per Calendar Day)

	Capacity	Operating Refineries
PAD District I	1,477,113	25
PAD District II	3,281,143	41
PAD District III	7,443,207	78
PAD District IV	539,755	19
PAD District V	3,174,200	50
U.S. Total	**15,915,418**	**213**

(1) Petroleum Administration for Defense

Source: US DOE, *Petroleum Supply Annual*

Pennsylvania Refinery Capacity, 1987

(Barrels per Calendar Day)

Refinery		
Atlantic Refining & Marketing	Philadelphia	125,000
BP Oil Corporation	Marcus Hook	172,000
Chevron USA, Inc.	Philadelphia	174,100
Sun Co., Inc.	Marcus Hook	165,000
Total East		**636,100**
Pennzoil Products Co.	Rouseville	15,700
Quaker State Oil Refining Corp.	Smethport	6,700
United Refining Co.	Warren	60,000
Witco Corp.	Bradford	8,500
Total West		**90,900**
Grand Total		**727,000**

Source: US DOE, *Petroleum Supply Annual*

resulted in an increase in net imports to 5.4 million barrels per day. In 1987, with prices significantly below peak levels, net imports rose to 5.9 million barrels per day.

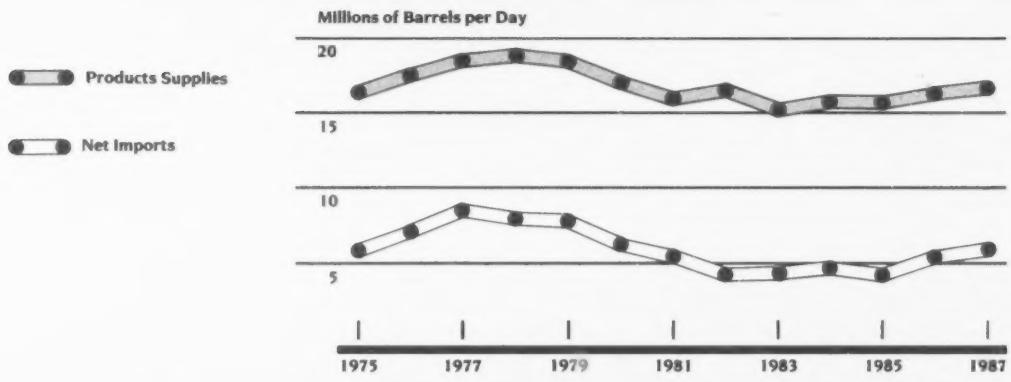
U.S. net imports rose in 1988 to their highest level since 1979. Net imports averaged 6.4 million barrels per day. By the year's end, imports were higher than domestic crude oil production. The seasonal rise in consumption brought on by cold weather helped to stimulate the surge in imported oil.

U.S. dependence on petroleum net imports peaked at 47 percent of consumption in 1977, then fell in 1985 to 27 percent, the lowest level since 1971. By 1988, it had risen to 37 percent, and dependence on net imports from OPEC members had risen from 12 percent of consumption in 1985 to 20 percent in 1988. Mexico was the major source of U.S. petroleum net imports in 1982 through 1985, but in 1986 and 1987, Venezuela, Canada, and Saudi Arabia each supplied more petroleum to the U.S. than did Mexico.

U.S. dependence on foreign oil is near an all-time high. Imports accounted for 42 percent of the nation's oil use last year, compared with 31 percent four years ago. According to the American Petroleum Institute, nearly 90 percent of the increase in U.S. oil imports since 1986 has come from OPEC sources, primarily in the Middle East.

Americans face an increasing dependence on imported oil and, ultimately, higher prices, as foreign producers gain more control over the market. U.S. net imports of crude oil are expected to continue rising. The prospect is that the U.S. will reach 50 percent dependence on imports by 1992 and 55 percent by the year 2000.

U.S. Petroleum Products Supplied and Imports



Petroleum Consumption in Pennsylvania by End-Use Sector

(Thousands of Barrels)

	1980	1981	1982	1983	1984	1985	1986	1987
Residential	31,789	28,022	24,674	24,076	24,472	25,319	22,427	22,489
Commercial	8,165	7,925	6,867	8,647	8,395	6,944	7,624	7,550
Industrial	56,769	46,273	43,707	37,891	39,444	35,985	41,900	45,923
Transportation	145,310	136,074	129,099	131,911	133,801	134,188	138,319	143,982
Elec. Util.	19,780	17,405	11,850	20,182	16,944	13,827	15,332	13,882
Total	**261,813**	**235,699**	**216,197**	**222,707**	**223,056**	**216,263**	**225,602**	**233,826**

Source: US DOE, *State Energy Data Report*

Petroleum Consumption in Pennsylvania by Product Type

(Thousands of Barrels)

	1980	1981	1982	1983	1984	1985	1986	1987
Distillate Fuel	68,602	59,885	52,945	52,873	55,038	53,862	54,276	57,723
Motor Gasoline	107,925	104,151	102,134	103,391	102,159	101,955	104,105	106,382
Residual Fuel	35,099	29,878	20,869	24,104	20,773	16,416	19,790	19,369
Aviation Fuels	10,485	8,508	8,452	8,796	9,948	10,334	10,166	10,677
Kerosene	2,763	2,651	2,932	1,836	1,212	1,612	1,934	1,672
LPG	7,255	7,635	7,170	7,210	8,217	6,958	8,400	8,092
Other	29,687	22,988	21,695	24,497	25,710	25,124	26,929	29,912
Total	**261,816**	**235,696**	**216,197**	**222,707**	**223,057**	**216,261**	**225,600**	**233,827**

Source: US DOE, *State Energy Data Report*

PENNSYLVANIA ENERGY OFFICE

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Governor

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PEO Chairman